

## **Program A: State Group Benefits Program**

Program Authorization: Act 745 of 1979; Executive Order No. McK 69-70; R.S. Title 42, Chapter 12, Sections 821, 851, and 871-879

### **PROGRAM DESCRIPTION**

The mission of the State Group Benefits Program is to provide cost-effective, high-quality health, life and flexible benefit plans, distinguished by efficient and effective customer service. The goal of the State Group Benefits Program is to develop and explore a multitude of benefit options that will appeal to a diverse workforce. These options will include multi-priced plans, indemnity and managed care options as well as adding certain core dental and vision options to these plans. The State Group Benefits Program provides the opportunity for eligible individuals to obtain group accident and health benefits and group life insurance geared to the needs of the plan members. A Board of Trustees administers this program and provides direction in developing cost containment features in order that an affordable group insurance program may be available to its plan members.

### **OBJECTIVES AND PERFORMANCE INDICATORS**

Unless otherwise indicated, all objectives are to be accomplished during or by the end of FY 2001-2002. Performance indicators are made up of two parts: name and value. The indicator name describes what is being measured. The indicator value is the numeric value or level achieved within a given measurement period. For budgeting purposes, performance indicator values are shown for the prior fiscal year, the current fiscal year, and alternative funding scenarios (Continuation Budget level and Executive Budget recommendation level) for the ensuing fiscal year (the fiscal year of the budget document).

1. (KEY) To pay health claims within an average of 19.89 days.

Strategic Link: This operational objective is not linked to State Employee Group Benefit Program (SEGBP) current strategic plan. SEGBP will be completing revisions to its current strategic plan in FY 2001-2002.

Louisiana: Vision 2020 Link: Not applicable

Children's Cabinet Link: Not applicable

Other Link(s): Not applicable

L E V E L	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1999-2000	ACTUAL YEAREND PERFORMANCE FY 1999-2000	ACT 2 PERFORMANCE STANDARD FY 2000-2001	EXISTING PERFORMANCE STANDARD FY 2000-2001	AT CONTINUATION BUDGET LEVEL FY 2001-2002	AT RECOMMENDED BUDGET LEVEL FY 2001-2002
K	Average turnaround time for health claim payments (in days) <sup>1</sup>	20.31	27.57 <sup>2</sup>	20.31	20.31	17.98	19.89
K	Number of group health and accident claims processed	4,003,000	3,577,371	3,587,965	3,587,965	3,600,000	3,600,000
K	Amount of health and accident claims payments (in millions)	\$309.7	\$310.4	\$301.8	\$301.8 <sup>3</sup>	\$385.5	\$316.9
S	Number of HMO members	27,900	28,046	30,000	30,000 <sup>4</sup>	27,000	27,000
S	Number of indemnity plan members	94,000	95,073	98,000	98,000	98,000	98,000

<sup>1</sup> Average turnaround time represents the length of time between receipt of claim and process date. Check cycle timing and cash management tools can add an additional 5 to 7 days to this time period before a check is issued.

<sup>2</sup> According to agency's FY 1999-2000 Fourth Quarter Performance Progress Report, the addition of the EPO option and the increased number of fee schedules has slowed adjuster processing time significantly.

<sup>3</sup> Although the performance standard for this indicator is \$301.8, the agency in its FY 2000-2001 First Quarter Performance Progress Report has estimated the yearend target for this performance indicator to be \$357.5 million.

<sup>4</sup> Although the performance standard for this indicator is 30,000, the agency in its FY 2000-2001 First Quarter Performance Progress Report has estimated the yearend target for this performance indicator to be 27,955.

## RESOURCE ALLOCATION FOR THE PROGRAM

	ACTUAL 1999 - 2000	ACT 2 2000 - 2001	EXISTING 2000 - 2001	CONTINUATION 2001 - 2002	RECOMMENDED 2001 - 2002	RECOMMENDED OVER/(UNDER) EXISTING
MEANS OF FINANCING:						
STATE GENERAL FUND (Direct)	\$0	\$0	\$0	\$0	\$0	\$0
STATE GENERAL FUND BY:						
Interagency Transfers	0	0	0	0	0	0
Fees & Self-gen. Revenues	556,864,268	596,540,023	596,540,023	596,629,429	596,343,155	(196,868)
Statutory Dedications	0	0	0	0	0	0
Interim Emergency Board	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
TOTAL MEANS OF FINANCING	<u><u>\$556,864,268</u></u>	<u><u>\$596,540,023</u></u>	<u><u>\$596,540,023</u></u>	<u><u>\$596,629,429</u></u>	<u><u>\$596,343,155</u></u>	<u><u>(\$196,868)</u></u>
EXPENDITURES & REQUEST:						
Salaries	\$11,038,919	\$10,280,353	\$10,280,353	\$10,439,159	\$10,264,159	(\$16,194)
Other Compensation	638,584	466,758	466,758	466,758	466,758	0
Related Benefits	2,116,465	2,677,733	2,677,733	2,704,733	2,674,750	(2,983)
Total Operating Expenses	6,283,675	6,774,330	6,774,330	6,959,025	6,899,714	125,384
Professional Services	1,867,964	2,808,961	2,808,961	2,808,961	2,808,961	0
Total Other Charges	533,854,352	571,466,793	571,466,793	571,466,793	571,440,213	(26,580)
Total Acq. & Major Repairs	1,064,309	2,065,095	2,065,095	1,784,000	1,788,600	(276,495)
TOTAL EXPENDITURES AND REQUEST	<u><u>\$556,864,268</u></u>	<u><u>\$596,540,023</u></u>	<u><u>\$596,540,023</u></u>	<u><u>\$596,629,429</u></u>	<u><u>\$596,343,155</u></u>	<u><u>(\$196,868)</u></u>
AUTHORIZED FULL-TIME						
EQUIVALENTS: Classified	355	358	358	358	351	(7)
Unclassified	3	4	4	4	4	0
TOTAL	<u><u>358</u></u>	<u><u>362</u></u>	<u><u>362</u></u>	<u><u>362</u></u>	<u><u>355</u></u>	<u><u>(7)</u></u>

## SOURCE OF FUNDING

This program is funded from Self-generated revenues including premiums collected from plan members and their employers, as well as earnings of program funds.

## ANALYSIS OF RECOMMENDATION

GENERAL FUND	TOTAL	T.O.	DESCRIPTION
\$0	\$596,540,023	362	<b>ACT 2 FISCAL YEAR 2000-2001</b>
			<b>BA-7 TRANSACTIONS:</b>
\$0	\$0	0	None
\$0	\$596,540,023	362	<b>EXISTING OPERATING BUDGET – December 15, 2000</b>
\$0	\$92,806	0	Annualization of FY 2000-2001 Classified State Employees Merit Increase
\$0	\$93,000	0	Classified State Employees Merit Increases for FY 2001 -2002
\$0	(\$75,183)	0	Risk Management Adjustment
\$0	\$1,788,600	0	Acquisitions & Major Repairs
\$0	(\$2,065,095)	0	Non-Recurring Acquisitions & Major Repairs
\$0	\$2,673	0	UPS Fees
\$0	(\$204,983)	(7)	Attrition Adjustment
\$0	(\$2,106)	0	Civil Service Fees
\$0	(\$26,580)	0	State Treasury Fees
\$0	\$200,000	0	Other Adjustments - Telephone service and data lines and circuit cost increases to reflect anticipated service demands
\$0	\$596,343,155	355	<b>TOTAL RECOMMENDED</b>
\$0	\$0	0	<b>LESS GOVERNOR'S SUPPLEMENTARY RECOMMENDATIONS</b>
\$0	\$596,343,155	355	<b>BASE EXECUTIVE BUDGET FISCAL YEAR 2001-2002</b>
			<b>SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON NEW REVENUE:</b>
\$0	\$0	0	None
\$0	\$0	0	<b>TOTAL SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON NEW REVENUE</b>
\$0	\$596,343,155	355	<b>GRAND TOTAL RECOMMENDED</b>

The total means of financing for this program is recommended at 100% of the existing operating budget. It represents 85.5% of the total request (\$697,465,858) for this program. The recommended funding level reflects the estimated revenue generating ability of this program at this point. Adjustments will be proposed to this budget when the Board of Trustees for this program set the benefit structure and employee contribution rates for Fiscal Year 2002.

## PROFESSIONAL SERVICES

\$370,000	Actuarial Services for rate calculations, claims projections, etc.
\$10,000	Consulting Services for Provider contracting analysis
\$45,000	Medical and Dental consultation to expedite the processing of medical claims
\$69,961	Medical assistance for the appropriate processing of medical claims and case management treatment plans by the board and its personnel.
\$300,000	Technical Assistance for computer programming/testing services for newly acquired computer equipment and other computer related needs
\$150,000	Technical Assistance for computer/consulting services for Imaging
\$150,000	Technical assistance with electronic claims, particularly out-of-state claims
\$50,000	Technical Assistance, Training and Program services for the Cafeteria Plan software
\$49,000	Consulting Services for La Parmancy benefits with project audit/analysis completion
\$65,000	Legal services, for consultation, advice and recommendations regarding human resource and insurance matters
\$1,550,000	Utilization Review - pre-certification of inpatient hospital confinements, case management, etc.
<b>\$2,808,961</b>	<b>TOTAL PROFESSIONAL SERVICES</b>

## OTHER CHARGES

\$1,168,086	Cafeteria Plan Payments
\$965,000	Dependent Life Payments
\$123,740	Department of Insurance - audit of program
\$366,721,030	Health Claims Payments
\$88,462,504	Health Maintenance Organization Payments
\$1,000	Hospital Audit Fees
\$101,000	Legal Fees/Settlements
\$130,126	Legislative Auditor expenses
\$24,320,152	Life Claims Payments
\$315,000	Louisiana Health Insurance Association
\$18,750	Medical Necessity Review Organization
\$6,000,000	Mental and Nervous Disorder Claim Payments
\$83,013,405	Paid Prescriptions
\$100,420	Training
<b>\$571,440,213</b>	<b>TOTAL OTHER CHARGES</b>

## ACQUISITIONS AND MAJOR REPAIRS

\$72,000	Four (4) replacement vehicles to be used as regional pool cars to visit hospitals and agencies; and to enroll and train new participant groups
\$8,600	Office equipment including desks, FAX machines, and chairs.
\$22,000	Five (5) replacement laptop computers to replace older model 386 and 486's.
\$303,000	One hundred twenty-five (121) personal computers with 64 + MB RAM (Pentium level) to replace old 486 and 386 machines as the agency moves to Microsoft office products for greater staff efficiency. One hundred twenty-five (121) network cards
\$900,000	One (1) server replacement for one dual processor on the Novell Network. This server will be replaced with a Pentium Server in order to increase speed and throughput on the network.
\$48,000	Thirty-four (34) printers to replace older IBM 4019 printers with new HP printers for printing images
\$400,000	One (1) server upgrades to replace 570 series to enhance throughput and response time of RIMS system
\$35,000	One (1) communications upgrade that will include changes to the network for new connectivity to remote sites and third party vendors. Enhancements to the "mail" server included.
<b>\$1,788,600</b>	<b>TOTAL ACQUISITIONS AND MAJOR REPAIRS</b>